

Date: April 8, 2014

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Public Hearing on and Approval of the Draft FY 2014-2015
Annual Action Plan

Executive Summary

The Citizen Participation Plan contained in the 2010-2015 Consolidated Plan requires that two (2) public hearings be held prior to the submission of the Annual Action Plan to the U.S. Department of Housing and Urban Development. The purpose of the first public hearing is to receive citizen comments on housing and community development needs. That public hearing was held on January 6, 2014. The purpose of the second public hearing is to receive citizen comment on the City's Draft 2014-2015 Annual Action Plan, which specifies the allocation of Community Development Block Grant (CDBG), Home Investment Partnership (HOME) and Emergency Solutions Grant (ESG) funds. The regulations of the U.S. Department of Housing and Urban Development (HUD) require that the approved Annual Action Plan be received in the respective HUD Field office no later than May 15.

Recommendation

The Department of Community Development recommends that the City Council hold a public hearing on May 5, 2014 to receive citizen comments on the Draft 2014-2015 Annual Action Plan for the use of CDBG, HOME and ESG funds and approve the Draft 2014-2015 Annual Action Plan for submission to the U.S. Department of Housing and Urban Development (Attachment A); authorize the City Manager to execute all administrative requirements and contractual documents necessary for implementation of the Annual Action Plan to include all CDBG, HOME and ESG program agreements and related documents; adopt the City of Durham/U.S. Department of Housing and Urban Development Community Development Block Grant project ordinance in the amount of \$2,135,508.00 (Attachment B); adopt the City of Durham/U.S. Department of Housing and Urban Development HOME Investment Partnership Program grant project ordinance in the amount of \$1,261,909.00 (Attachment C); and adopt the City of Durham/U.S. Department of Emergency Housing Solutions Grant project ordinance in the amount of \$147,357.00. (Attachment D).

Background

As an entitlement city, Durham has been the recipient of CDBG funds since 1975 and HOME Consortium funds since 1992. CDBG funds have primarily been used for housing activities, public services, code enforcement and public infrastructure. HOME Consortium funds have been used for affordable housing activities as required by HOME program regulations. Durham has also been a recipient of Emergency Shelter Grant funds presently known as the Emergency Solutions Grant funds from HUD. The change in the program's name reflects the change in the program's focus from addressing the needs of homeless people in emergency or transitional shelters to assisting people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.

The Annual Action Plan is Durham's application to the U.S. Department of Housing and Urban Development for the upcoming fiscal year's funding and outlines the actions Durham is taking with HUD-awarded funds to meet the goals as described in the 2010-2015 Five Year Consolidated Plan. HUD regulations require that the City submit the Council-approved Annual Action Plan by May 15.

The Five-Year Consolidated Plan identified the following priorities for housing related activities:

1. Neighborhood Stabilization and Revitalization;
2. Special Needs Housing;

Issues/Analysis

The adopted Citizen Participation Plan requires that at least a 14-day notice be given to the public concerning the scheduling of an Annual Action Plan public hearing. In order to inform citizens of the upcoming public hearing, notices have been published in the *Herald-Sun* and the *Carolina Times*.

Both CDBG and HOME funds are used to support ongoing homeownership and rental housing, housing rehabilitation/repair, code enforcement and other initiatives administered by the Department of Community Development and the Department of Neighborhood Improvement Services. An advertised application workshop was held on December 5, 2013 with a submission date of January 16, 2014.

All applications for CDBG, HOME Community Housing Development Organization (CHDO), ESG and designated general funding were evaluated by not less than three Community Development project managers based on the established review criteria delineated in the respective application guidelines. Each project manager then presented their individual evaluations of the applications to an internal Departmental panel, consisting of the Assistant Director for Production and all other project or program managers as applicable.

From this series of panel deliberations, a recommended balanced budget for CDBG, HOME CHDO, ESG and general funding sources emerged, which was then presented to the Director of Community Development and subsequently forwarded through the Deputy City Manager to the City Manager for approval. The funding recommendations for the CDBG, HOME CHDO, ESG programs and designated general funds were then presented to the Citizens Advisory Committee (CAC) at its February 24, 2014. After considering the Department's recommendations, the CAC voted to approve the recommendations as presented in the Draft Annual Action Plan.

In addition to HUD entitlement funding, the Department advertised the availability of Dedicated Housing Funds in the following categories: NECD and SWCD Inventory Completion, Permanent Housing for Persons with Special Needs, Rapid Re-Housing, and the Creation or Preservation of Affordable Rental Housing. Including "fund balance" from prior years approved by Council for Permanent Housing, a total of \$2,484,295.00 was made available. All available funding was requested and the CAC concurred with the Department's funding recommendations outlined in Attachment E.

Alternatives

In order to receive CDBG, HOME and ESG funds and remain in compliance with federal regulations, the participating jurisdiction must hold two public hearings prior to the submission of its Annual Action Plan in May to HUD. The only flexibility that the City has is in determining the dates for the public hearings. Failure to hold the public hearings and to subsequently approve the Annual Action Plan by May 15 could result in HUD issuing a finding of non-compliance.

A summary chart of the Department's funding recommendations is provided as Attachment E.

Financial Impact

According to the formula allocations released by HUD on March 18, the City expects to \$1,795,508.00 in CDBG funds, \$831,909.00 in HOME funds and \$147,357.00 in ESG funds.

The Durham City-County Consortium will be required to provide a 25% match (non-federal funds) to the total amount of HOME funds used directly for affordable housing activities. The FY 14-15 required match will be approximately \$181,805.00. The match requirement has already been met by carry-over from prior fiscal years.

The required \$147,357.00 ESG match will be met in two ways. ESG subrecipients are required to provide cash or in-kind match as per the program regulations. The match for the Department of Community Development administrative allowance is general funds used for staff salaries to support those functions.

SDBE Summary

Not applicable to this item.